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IN THE

Supreme Court of the United States

October Term, 1979.

No. 79-669.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY and HELENA CHEMICAL COMPANY,

Petitioners,

v.

ROHM AND HAAS COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit.

BRIEF OF RESPONDENT IN OPPOSITION.

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Petitioners

v.

ROHM AND HAAS COMPANY,

Respondent

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION.

OPINIONS BELOW.

The opinion of the district court on cross-motions for summary judgment (A. 49-90) is reported at 191 USPQ 691. The opinion of the Fifth Circuit Court of Appeals (A. 1-48) is reported at 599 F. 2d 685.

JURISDICTION.

The opinion and judgment below were entered on July 30, 1979. The petition for a writ of certiorari was filed on October 24, 1979. The jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

STATUTES INVOLVED.

Defendants' petition involves the construction of certain provisions of the 1952 Patent Act relative to contributory infringement and patent misuse, 35 U. S. C. § 271:

> Section 271. Infringement of patent
>
> (a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.
>
> (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
>
> (c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.
>
> (d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

QUESTION PRESENTED.

Should this Court grant a petition for certiorari to review a decision in which the Court of Appeals, on cross-motions for summary judgment, correctly construed 35 U. S. C. § 271(c) and (d) in a manner not in conflict with any decision of this Court or any other court of appeals, holding that respondent did not misuse its method patent by selling to the public the active ingredient thereof which had no use except in the patented method, and by enforcing the patent in this action?

STATEMENT.

A. Summary of the Proceedings.

Rohm and Haas' amended complaint charged defendants, petitioners herein, with contributorily infringing and actively inducing their customers to infringe United States Patent No. 3,816,092 (hereinafter the "Wilson patent"). This patent describes and claims a method of applying a chemical compound, 3, 4-dichloropropionanilide (hereinafter "propanil"), to weeds and established crops such as rice so as to inhibit selectively the growth of the weeds without adversely affecting the crop. Propanil itself is not patented.

Rohm and Haas manufactures propanil and sells it in containers bearing instructions for performing the patented process. By operation of law, purchasers from Rohm and Haas thus receive implied licenses to use the purchased propanil in the patented method. Rohm and Haas has not granted express licenses.

Petitioners sold propanil for herbicidal use on rice crops while the Wilson patent application was pending but before its issuance on June 11, 1974. Thereafter, as held by the Court of Appeals, "they continued to sell pro-

panil, knowing of the patent, and their customers have directly infringed the patent by following the method described on defendants' containers of propanil" (A. 5).[1] Propanil is not a staple article or commodity of commerce, and has no substantial noninfringing use (A. 5).

The United States District Court for the Southern District of Texas granted petitioners' motion for summary judgment based on patent misuse, concluding that 35 U. S. C. § 271(d) does not protect Rohm and Haas from misuse charges. The District Court also denied respondent Rohm and Haas' motion for summary judgment that it had not misused the patent.

The Court of Appeals reversed, holding that as a matter of law under § 271(d) Rohm and Haas did not commit patent misuse. It held that a patent owner who markets an unpatented, nonstaple product whose only commercial use infringes the patent is not guilty of patent misuse for declining to license other manufacturers to sell the nonstaple product for use under the patent. The Court of Appeals rejected the argument that such a patent owner must engage in compulsory licensing of other manufacturers in order to avoid a charge of patent misuse (A. 43-44), and it remanded the case for proceedings on other issues and for trial if necessary.

B. Rohm and Haas' Invention and Activities in the Sale of Propanil.

In accordance with the Wilson patent, the uniquely acting compound propanil may be applied to both the crop and the weeds, for it is a selective (destroys weeds without adverse effect on crops), post-emergence (applied to plants after they have emerged from the soil) herbicide.

1. "A" followed by a number indicates a page in petitioners' appendix.

This chemical is the essential ingredient of the patented method. Rohm and Haas' invention virtually eliminates the need for hand weeding and enables the productive use of the chemical propanil that was formerly a mere laboratory curiosity with no practical use whatever.

Rohm and Haas makes and sells propanil with container instructions to use the propanil in carrying out the steps of the Wilson patent. None of the defendants purchases propanil from Rohm and Haas and each has requested an express license under the Wilson patent. To date, Rohm and Haas has not offered or granted an express license to anyone. Rohm and Haas has never received any payment for propanil other than the purchase price from its customers who employ the Wilson patent method to control weeds in rice crops (A. 53).

C. Defendants' Activities in the Sale of Propanil.

Defendant-petitioners, both before and after the issuance of the Wilson patent, sold propanil made by themselves or third parties and they continue to sell it for a single use—to control weeds selectively in rice crops (A. 5, 52-53). Defendants' propanil is sold in containers bearing labels which recommend only the methods of use described in the Wilson patent claims. When defendants sell propanil, they know that their customers will carry out the methods of use described on their labels and thereby directly infringe the Wilson patent (A. 5, 52-53).

D. Propanil Is an Unpatented Nonstaple Article of Commerce.

As defined by the Court below, "staple" means a commodity or product with substantial uses apart from the patented invention, and "nonstaple" denotes a product lacking substantial uses other than infringing uses (A. 5-6).

Petitioners concede throughout their petition that propanil is a nonstaple, e.g. pages 2 and 6.

Rohm and Haas' patented discovery created the first and even today the only practical use of propanil.

While the Wilson patent application was involved in interference with Monsanto Company (ultimately resolved in favor of Rohm and Haas), a continuation of the interference application issued to Monsanto as United States Patent 3,382,280 claiming the chemical compound propanil *per se*. This Monsanto patent was held invalid in litigation with Rohm and Haas *inter alia* because, as a chemical compound, propanil was described in or taught by the prior art. *Monsanto Company v. Rohm and Haas Company*, 312 F. Supp. 778 (E. D. Pa. 1970), aff'd 456 F. 2d 592 (3rd Cir.), *cert. den.* 407 U. S. 934 (1972).[2]

Propanil was found by the Court in the *Monsanto* case to be implicitly described by publications dated as early as 1902. In the more than half century which followed, there was no marketing or utilization of propanil and no benefit to mankind from it.

2. That court found, however, that the use of propanil as a selective, post-emergence herbicide "was not revealed or in any way suggested in the prior art" (312 F. Supp. 801, finding 49).

SUMMARY OF ARGUMENT.

Review on writ of certiorari is not warranted. The Court of Appeals applied traditional tests of statutory construction, including both a scholarly exposition of court decisions leading up to the 1952 statute and a thorough analysis of the legislative history underlying the passage of § 271(c) and (d) for the express purpose of clarifying prior law. The petition for certiorari fails to establish either a conflict with another court of appeals on the same matter, a conflict with applicable decisions of this Court, or any other ground of such compelling importance that review on certiorari should be undertaken. Supreme Court Rule 19(1); *Ex parte Lau Ow Bew*, 141 U. S. 583, 587 (1891); *American Construction Co. v. Jacksonville T. & K. W. Ry. Co.*, 148 U. S. 372, 383 (1893).

The Court of Appeals concluded that only two prior opinions of this Court, the *Aro* opinions,[3] have dealt directly with sections 271(c) and (d) since their enactment, and it correctly recognized these decisions "as not controlling the result of our case" (A. 47). With reference to other decisions of this Court relied on by petitioners, the Court of Appeals correctly pointed out that they are in a "context far afield", stating (A. 47-48):

> "It is true that these cases contain ringing endorsements of patent misuse theory concerning the proper scope of a patent. However, we decline to rely on their general statements, made in context far afield from a patentee's effort economically to market his invention by sale of its unique, nonstaple elements to reach a result contrary to one we see so clearly in the statutory words and its legislative history."

3. *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U. S. 336 (1961) (Aro I), and *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U. S. 476 (1964) (Aro II). These opinions are discussed more fully hereinafter.

ARGUMENT.

I. The Court of Appeals Applied Correct and Traditional Tests of Statutory Construction to the Applicable Provisions of the 1952 Patent Act.

The Circuit Court correctly held that under the 1952 Patent Act, Rohm and Haas is not guilty of misuse for selling an unpatented, nonstaple product to customers who, *by operation of law,* receive an implied license to use the product in practicing the patented method.[4] This inevitable operation of law, which Rohm and Haas cannot avoid, does not constitute "tying", nor is it "tying" merely because Rohm and Haas is enabled to sell propanil by reason of having invented the only successful and patented use for it.

The Court of Appeals also correctly held that neither the 1952 Act nor any other law requires Rohm and Haas to engage in compulsory licensing of other manufacturers in order to avoid the penalty of patent misuse (A. 43-44).

The legislative history of the statute and the historical setting framed by prior decisions of this Court demonstrate that there is no reason to grant certiorari in this case.

A. On the Very Face of the Statute Rohm and Haas' Activities Are Within the Statutory Exceptions to the Misuse Doctrine.

The 1952 Patent Act, an act "to revise and codify the laws", defines patent infringement in 35 U. S. C. § 271(a), and provides in subsection (b) that those persons who *actively induce infringement* shall be liable as infringers. Subsection (c) of 271 imposes liability for *contributory infringement* on those who sell a "component of . . . a

4. The implied license doctrine is stated by this Court in *Adams v. Burks,* 84 U. S. (17 Wall.) 453 (1873); and in *Aro II, supra.*

patented process . . . knowing the same to be especially made or especially adapted for use in an infringement of such patent", provided the component constitutes "a material part of the invention" and is "not a staple article or commodity of commerce suitable for substantial noninfringing use." The petitioners' sales fall within the explicit prohibitions of both 271(b), active inducement of infringement, and 271(c), contributory infringement.

Subsection 271(d), under construction in this case, provides that a patent owner will not be deemed guilty of patent "misuse or illegal extension of the patent right" for doing one or more of three specific acts, each of which relates to "contributory infringement":

> "No patent owner . . . shall be . . . deemed guilty of misuse . . . by reason of his having . . .
>
> "(1) derived revenue from acts which if performed by another without his consent would constitute *contributory* infringement of the patent;
>
> "(2) licensed or authorized another to perform acts which if performed without his consent would constitute *contributory* infringement of the patent;
>
> "(3) sought to enforce his patent rights against infringement or *contributory* infringement." [5]

Thus, § 271(d) specifically incorporates the definition of "contributory infringement" in enumerating the circumstances in which patent misuse shall not apply, and "contributory infringement" as defined in 271(c) refers to the sale of a nonstaple article such as involved here. The Court of Appeals was correct in so linking subsections (c)

5. Throughout this brief, emphasis has been added in all quotations unless otherwise indicated.

and (d) (A. 40-41), and the District Court proceeded on a wrong premise when it erroneously concluded (A. 86): "Nowhere in the language of § 271(d) has Congress limited or otherwise defined patent misuse by reference to the staple or nonstaple nature of an unpatented component." A basic rule of statutory construction—ignored by the District Court but followed by the Court of Appeals—requires that the various portions of a statute should be read together, particularly where one section defines terms used in the other, *Saxon v. Georgia Association of Independent Insurance Agents*, 399 F. 2d 1010, 1013 (5th Cir. 1968); *American Standard, Inc. v. Crane Co.*, 510 F. 2d 1043 (2d Cir. 1974), *cert. den.* 421 U. S. 1000 (1975); *Sampsell v. Straub*, 194 F. 2d 228 (9th Cir. 1951), *cert. den.* 343 U. S. 927 (1952). The draftsman of § 271 intended that (c) and (d) be read together (A. 127, 143), and the Court of Appeals so found (A. 41).

On the very face of the statute, Rohm and Haas has done only that which § 271(d) says is not a ". . . misuse or illegal extension of the patent right . . ."

It has "derived revenue from acts which if performed by another without [its] consent would constitute contributory infringement of the [Wilson] patent" (§ 271 (d)(1)), that is, Rohm and Haas has sold propanil for weed control in rice. Sale of propanil by another would constitute contributory infringement because propanil is not a "staple article or commodity of commerce suitable for substantial noninfringing use" and is used by purchasers only in methods embraced by the Wilson patent claims. As the sole active ingredient applied to both weeds and crops in the patented method, propanil is a "material part of the [Wilson] invention" and in view of its unique post-emergence, selective herbicidal activity, it is "especially made or especially adapted" for use in the methods claimed in the Wilson patent. Rohm and Haas

as the patent owner derives revenue from such sales and this conduct, by the express mandate of § 271(d)(1), does not constitute "misuse or illegal extension of the patent right."

Rohm and Haas has also impliedly "licensed or authorized another to perform acts which if performed without [its] consent would constitute contributory infringement of the [Wilson] patent" (§ 271(d)(2)). By operation of law, each purchaser of propanil from Rohm and Haas automatically acquires the right to use it, or resell it for use, in the patented method. In the absence of the implied authorization, such resale would constitute contributory infringement. Although Rohm and Haas has thus authorized another to sell propanil, § 271(d) provides that Rohm and Haas shall not "be denied relief or deemed guilty of misuse or illegal extension of the [Wilson] patent right by reason of" having done that act.

Lastly, respondent Rohm and Haas has "sought to enforce [its Wilson] patent rights against infringement or contributory infringement". Despite respondent's refusal to grant express licenses to them under the Wilson patent, petitioners insist on selling propanil for the patented method. Rohm and Haas has brought suit against the petitioners to enjoin their continued infringement of the Wilson patent, charging contributory infringement and active inducement of infringement, the latter rendering petitioners "liable as an infringer" pursuant to 35 U. S. C. § 271(b). Seeking to enforce the Wilson patent against petitioners rather than license them is also an act that does not constitute "misuse or illegal extension of the patent right" (35 U. S. C. § 271(d)(3)).

As § 271(d) also expressly provides, no combination of the above-described acts can give rise to patent misuse or an illegal extension of the patent monopoly.

In making the initial finding of contributory infringement to bring 271(d) into play, the Court of Appeals correctly noted that defendant-petitioners recommended propanil *only* for use in controlling weeds in rice and knew all along that their customers used propanil in the infringing methods they recommended (A. 5-6). While petitioners persist in calling this legitimate competition, the acts they characterize as "competition" are actually infringement as defined in § 271(c).

There can be no doubt that a patent owner has the right to exclude others within the field of his patent monopoly as long as he does not thereby interfere with *legitimate* competition *outside* of the patent. In passing 35 U. S. C. § 271(c), Congress expressly authorized the patentee of a method patent to exert limited control over unpatented but nonstaple products *per se*. The entire doctrine of contributory infringement is based on that premise, and its continued validity as demanded by public policy was reaffirmed by Congress in 1952.

The statute benefits the public by encouraging patentees to develop uses for known but useless materials. If and when any other practical use is discovered for propanil, the statutory exception will no longer apply, and Rohm and Haas will adopt a suitable program to avoid any interference with legitimate competition. Rohm and Haas is certainly not seeking an unlimited monopoly in propanil, the equivalent of the invalid patent claim of Monsanto to propanil *per se* which embraced the compound and any and all uses thereof whether known or unknown at the time of issuance, nor does the statute or the decision of the Court of Appeals grant such rights to Rohm and Haas. Rather, Rohm and Haas seeks a reasonable reward for its patented discovery for so long as that discovery is the only substantial use for the otherwise useless compound. Until such other uses exist, there is no legitimate business outside the patent monopoly which is affected by Rohm and Haas' conduct.

The Court of Appeals properly declined to rewrite and inject a compulsory licensing obligation into section 271 (A. 43-44): "We decline to rule that a patentee must license under (d)(2) in order to use his rights under (d)(1) and (d)(3). A general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions". Over seventy years ago, the Supreme Court affirmed a patent owner's right to "reserve to himself the exclusive use of his invention" and held that "he is neither bound to use his discovery himself nor permit others to use it", *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405, 425 (1908). This is still the law. *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F. 2d 769, 774 (9 Cir. 1971) *cert. den.* 408 U. S. 929 (1972). Further affirmation of a patentee's "right to exclude others from making, using, or selling the invention" is found in 35 U. S. C. § 154. Congress affirmed that basic right in enacting § 271(d) which permitted the patent owner himself to derive revenue from acts which normally would be contributory infringement while at the same time authorizing him to sue others to enforce his patent rather than being compelled to license it. Section 271(d)(3) does not require a patentee to offer the accused a license before proceeding "to enforce his patent rights."

Petitioners do not dispute that Rohm and Haas' conduct falls within the three exceptions to misuse stated in § 271(d)(1), (2) and (3) (petition, p. 5), but petitioners go on to argue that Rohm and Haas must nevertheless be held guilty of misuse because it engaged in a fourth activity, "something else not authorized—compelling those who wish to practice the patented invention to purchase

propanil from Rohm and Haas, thereby tying a license under the patent to the purchase of the unpatented material" (petition, p. 6). This so-called "something else not authorized" is pure verbal illusion, for it is merely a restatement of Rohm and Haas' sales and patent enforcement activities permitted by § 271(d)(1), (2), and (3), *supra*, plus the *inevitable operation* of the legal doctrine that purchasers from Rohm and Haas receive an implied license to practice the patented method.

The Court of Appeals readily saw through petitioners' "tying" argument, holding that the operation of the implied license doctrine does not constitute illegal "tying" (Footnote 27, A. 42-43):

> "Once an item has been conveyed, it passes beyond the patentee's monopoly power and the buyer can use it or sell it as he wishes. See e.g., Adams v. Burke, 84 U. S. (17 Wall.) 453, 21 L. Ed. 700 (1873), and, more recently, Aro Manufacturing Co. v. Convertible Top Replacement Co., 377 U. S. 476, 497, 84 S. Ct. 1526, 12 L. Ed. 2d 457 (1964). Surely no statute was required to save a license that operates as a matter of law from being deemed patent misuse."

The logical extension of petitioners' position, i.e. that Rohm and Haas must either refrain from selling propanil, refrain from patent enforcement, or engage in compulsory licensing of the Wilson patent, further shows the bankruptcy of their position.

B. The Court of Appeals Correctly Analyzed the Decisional History Prior to the 1952 Patent Act.

As a valid adjunct to its statutory construction, the Court of Appeals discussed at length the historical progression of judicial decisions leading to the enactment of

271(c) and (d). It first discussed (A. 10-19), the development of the "judicial invention" of contributory infringement "designed to give effective protection to patentees" against those knowingly supplying others with the tools of infringement, and its gradual erosion by the judicially created doctrine of patent misuse (A. 18-25) culminating in the *Mercoid* decisions.[6]

Before the *Mercoid* cases, this Court had examined the interrelationship of misuse and contributory infringement in five instances. In all of these cases, the determination of whether a particular activity constituted patent misuse rested primarily on whether that activity improperly extended the scope of the patent to interfere with legitimate competition. In *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 516 (1917), the Court set forth the standard for patent misuse:

> "We are convinced that the exclusive right granted in every patent must be limited to *the invention* described in the claims of the patent, and that it is not competent . . . [to] *extend the scope* . . . by restricting the use of it to materials necessary in its operation, but *which are not part of the patented invention.*"

The Court then found misuse in the requirement that a purchaser of a patented machine use in that machine only film—a staple article capable of substantial noninfringing use—purchased from the patentee. In succeeding cases, patent misuse also barred relief for contributory infringement:

> 1) where the patentee had required users to purchase for use in a patented combination solid carbon dioxide

6. *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U. S. 661 (1944); and *Mercoid Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U. S. 680 (1944).

—a staple article capable of substantial noninfringing use—from its exclusive licensee, *Carbice Corp. of America v. American Patents Dev. Corp.*, 283 U. S. 27 (1931);

(2) in the limitation of the right to use a patented process by the owner of the patent to purchasers of bituminous paving material—a staple article capable of substantial noninfringing use—from the patentee, *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458 (1938);

3) in the requirement that purchasers of a patented dispenser buy salt—a staple article capable of substantial noninfringing use—from the patentee, *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942); and

4) in the requirement that those who wished to practice a patented process for reinforcing shoe insoles purchase rubber cement—a staple article capable of substantial noninfringing use—directly or indirectly from the patent owner, *B. B. Chemical Co. v. Ellis*, 314 U. S. 495 (1942).

In all of these patent misuse holdings prior to the *Mercoid* cases, the unpatented component sold by the alleged contributory infringer was a staple article having substantial noninfringing uses and the patentee had not offered expressly to license others to use the unpatented component in the patented article, process or combination. Under the Court's holdings, the sellers of such established commodities as film, carbon dioxide, paving material, salt, and rubber cement, were given protection against the contributory infringement doctrine.

In the first *Mercoid* case (320 U. S. 661), the patent related to a heating system comprising a stoker, a thermostat and a stoker switch. The stoker switch was unpatented *per se*, but it had use only in the patented heating system; it was not "a staple article or commodity of commerce" and it had no "substantial noninfringing use". The patentee adopted a policy of granting a license to customers who purchased the unpatented stoker switch. When the patentee brought suit for contributory infringement against an unlicensed seller of a stoker switch which had no use except in the patented heating system, the defense of patent misuse was raised and sustained by the Supreme Court. Justice Douglas wrote that the Court's decision and those preceding it, "limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider." (320 U. S. at 669).

In the second *Mercoid* case (320 U. S. 680), the Court sustained the patent misuse defense against the manufacturer of the switch, to whom the patentee had granted an exclusive license. In *Mercoid II*, Justice Douglas went further and ruled that any attempt to bring unpatented goods within the protection of the patent is measured by the antitrust and not the patent laws.

This brief summary hardly does justice to the Court of Appeals' thorough analysis of the historical development of the contributory infringement doctrine and its judicial counterbalancing by the patent misuse doctrine up to *Mercoid II* in 1944. Following its meticulous analysis of these decisions, the Court below took note of the historical facts that (A. 26):

> "In the aftermath of Mercoid, strange to say, there was great confusion in the courts and among the patent bar regarding the proper scope of contributory infringement."

and that:

> "A movement arose among the bar to put some effective measure of contributory infringement back into the law, and various committees came forward to draft proposed legislation for consideration by the congressional committee then codifying the general patent law. The ultimate result was section 271."

The petition before the Court confirms that the *Mercoid* cases created "consternation" resulting in the enactment of "a statutory law of contributory infringement" and the corresponding "provisions expressly exempting certain activities from the antitrust laws and the law of patent misuse", i.e. § 271(d) (petition, p. 9).

C. The Legislative History of Section 271 Supports the Court of Appeals' Decision and Is Largely Ignored in the Petition for Certiorari.

With the decisional perspective effectively laid out, the Circuit Court quoted extensively from the legislative history of § 271 and concluded that it decisively establishes respondent Rohm and Haas' position: that § 271(c) preserves the doctrine of contributory infringement, at least as it applies to the sale of nonstaple articles, that § 271(d) imposes statutory limitations on the patent misuse defense, and that Rohm and Haas' activities fit within the letter and spirit of those limitations.

In the committee hearings on the Patent Act of July 19, 1952, one of the principal draftsmen commented on section 271 (A. 27):

> "Therefore we have always felt . . . that to put any measure of contributory infringement into law you must, to that extent and to that extent only, specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d)."

The same draftsman specifically stated that § 271 covered "the Mercoid type of situation" (A. 87-88), and explained the origin of § 271(c) and (d) as follows (A. 144-51):

> "Now, we have a patent law association up there, as you have heard, which decided to tackle this problem of contributory infringement after the Mercoid decision and propose some legislation.
>
> * * *
>
> "Mr. Byerly wrote a proposal which was in substance along the lines of paragraph (c) which revived contributory infringement . . . I said, 'That is fine but it won't work because the reason we don't have contributory infringement is that every time you try to enforce a patent against a contributory infringer, the court says it is misuse and throws you out.'
>
> * * *
>
> "So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so."

Thus, Congress recognized that § 271(c) made contributory infringement, as limited to nonstaple articles,[7] a

7. Section 271(c) reinstated the doctrine of contributory infringement, *but limited it to nonstaple articles.* The rationale behind this studied language is clear. Insofar as a patent under a revived doctrine of contributory infringement might extend a

part of our statutory law, and that § 271(d), in order to make contributory infringement a meaningful doctrine in light of *Mercoid* I and II, established important statutory exceptions to the patent misuse doctrine.

In an article published soon after the passage of § 271, this same draftsman further clarified the intended meaning and effect of this section. Implicitly referring to *Mercoid* and its progeny, he stated:

> "The way the courts have been putting it of late is to say that the patentee has been deriving profit not from the monopoly covered by his claims but from the sale of 'unpatented' wares. If, under Section 271, a patentee could hold someone else liable for doing what he himself is doing business-wise, his business conduct is no misuse . . . Paragraph (d) applies." Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. PAT. OFF. SOCY. 476, 494 (1953).

This same draftsman made it clear that "The last paragraph of this section [271(d)] provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent." H. R. Rep. No. 1923 on H. R. 7794, 82d Cong., 2d Sess. 9; cited with approval in *Aro I*.

The Court below referred to and quoted from the hearings on H. R. 3760, House Judiciary Committee, 82d Cong. 1st Sess. (1951) as follows (A 36-38):

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7. (Cont'd.)
monopoly to a staple article, i.e., a product already being bought and sold, it removed a product of value from the public in the manner of the old Tudor monopolies. However, in using contributory infringement to grant a limited monopoly in what had been merely laboratory curiosities having no prior commercial use at all before the patented discovery, the public has nothing of value taken away and in practicing the new discovery enjoys benefits from previously useless materials.

"This understanding of the joint effect of paragraphs (c) and (d) is reinforced by the arguments of the bill's opponents, most prominently the Justice Department. T. Hayward Brown, Chief of the Patent Litigation Unit, showed especial opposition to paragraph (d), which the Justice Department deemed a major and controversial change from then current misuse principles and, as such, inappropriate for inclusion in a codification.

"One who read section 271 differently from Mr. Rich and is thus often cited to support a narrow interpretation of it, is Representative Crumpacker, a member of the House subcommittee conducting the hearings on the bill. When Mr. Fugate of the Justice Department railed against the provision because of its ostensible legitimation of certain types of misuse, Crumpacker's response indicates he read the language as applying to innocent conduct not previously deemed misuse or 'monopolistic practices' by the courts. 1951 Hearings at 165-64 and following. Mr. Rich was brought back to clarify matters. Mr. Rogers then summarized Rich's position as follows:

> "Now, due to what many members of the patent bar believe, that it did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory infringement as set forth in section (c), and that if he has done one of the three things in section [(d)], that shall not be considered a misuse of his patent, and *thereby reestablish what you thought you had before the Mercoid case.* Isn't that about what the situation is?

"*Id.* at 173 (emphasis added).

"Mr. Rich agreed and further explained that to recover a full complement of contributory infringement meant something had to be done about misuse.

"So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so."

The Circuit Court noted that the statute was expressly intended to make substantive changes in the law (A. 30-31), that the chief draftsman's explanations, of which the above are a small part, "indicates that section 271 was designed to immunize behavior like that in issue here" (A. 33), and that even opponents of the statute similarly construed it (A. 36). The opinion below is not in conflict with *Mercoid*. It was decided under statutory law not in existence when the *Mercoid* cases were decided. *Mercoid* is relevant not as the legal frame of reference for decision here, but as historical perspective leading up to passage of the real point of reference—subsections 271(c) and (d) which were passed in an acknowledged effort to modify the decisional law as it existed in 1952. In so holding and in delving extensively into the legislative history, even more so than we have done here (A. 30-41), the Court below applied traditional rules of statutory construction to support its decision in respondent's favor. The Court of Appeals concluded (A. 42):

". . . the impression becomes almost overpowering that Congress *did* clearly provide for a patentee's right to exclude others and reserve to itself, if it chooses, the right to sell nonstaples used substantially only in its invention." (Emphasis the Court's).

Petitioners have virtually ignored the legislative history, disposing of it with scarcely any substantive comment (petition, pp. 14-15).

II. There Is No Conflict Between the Decision Below and the Cases Decided Since Passage of the 1952 Patent Act.

In the only two cases in which this Court specifically discussed the effect of § 271(d), *Aro I* and *Aro II*, *supra*, the Court faced actions for contributory infringement based on a claim that defendants' cloth tops for convertibles aided an infringing reconstruction of the patented mechanical top, rather than a noninfringing repair of the item.

In *Aro I* the Court rejected the contributory infringement charge on the ground that there was no direct infringement, a holding which distinguishes *Aro I* from this case in which direct infringement by users of propanil is admitted. The Court below, commenting that its decision was not in conflict with *Aro I*, stated (A. 44-45):

"In *Aro I*, in the course of rejecting the claim, the majority cited *Mercoid* for the principle that the separate unpatented elements of a combination patent are not protected by the patent monopoly. The technical ground of the opinion, however, seemed to be the determination that the purchaser of an auto with a convertible top gains, along with the right to use the top, the right to replace its worn out parts. Unless his actions are so extensive as to become a

prohibited reconstruction, his action in replacing, for example, fabric portions of the top, does not constitute an infringing action. Without someone's committing of a *direct* infringement, there was of course no predicate for contributory infringement; there was no tort being committed in which the seller of replacement tops could participate. Justice Harlan, joined by two others, dissented, arguing that the majority's reliance on *Mercoid* destroyed the significance of cases such as *Leeds & Catlin* that gave relief against contributory infringement on principles approved by Congress in section 271." (Emphasis the Court's)

In *Aro II*, the Supreme Court actually *upheld* the doctrine of contributory infringement and permitted the patent owner to sue the vendor of the unpatented product —a holding which is totally consistent with that reached by the Court below. In discussing *Aro II*, the Court below commented (A. 45):

"In *Aro II* Justice Brennan wrote for a different majority. In *Aro I* he had agreed with Justice Harlan's view of section 271 but had concurred with the majority on the simple ground that without a direct infringement no contributory liability was possible. The new majority now distinguished *Aro I* as involving only car buyers from manufacturers who had been *licensed* to make the patented convertible top in auto construction. In *Aro II*, by contrast, the replacement tops were also designed to renew the covering on cars manufactured by a company that had *refused* a patent license. The Court held in part that because this unlicensed manufacturer had no right to construct or convey the invention, buyers of these cars received no right even to *use* the invention, much

less the right to repair it. Because the Court deemed each such repair by those buyers an independent direct infringement, the knowing seller of replacement tops was open to liability as a contributory infringer." (Emphasis the Court's)

The Court of Appeals pointed out herein that the *Aro* cases involved a completely different market setting from that involved here (A. 46-47):

". . . Because the policies involved in our factual situation—a primary use market—differ so from the policies involved in protecting competition in a market for unpatented elements to be used as mere replacement parts at the hands of one with a legitimate right to tinker with a patented device by reason of his absolute ownership thereof, we consider the *Aro* opinions as not controlling the result of our case."

Thus, the Circuit Court's opinion is not in conflict with the *Aro* decisions. Indeed, the majority in *Aro II* actually upheld the contributory infringement doctrine in the factual setting there involved.

Petitioners also contend (pp. 12-13) that the decision below is in conflict with *United States v. Loew's, Inc.*, 371 U. S. 38 (1962); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U. S. 100 (1969); *Deep South Packing Co. v. Laitram Corp.*, 406 U. S. 518 (1972); and *Blonder-Tongue Labs, Inc. v. University of Ill. Foundation*, 402 U. S. 313 (1971). *Loew's* is a copyright case and does not even mention § 271(d) or its effect on *Mercoid*. In *Zenith* this Court approved royalty payments on the sales of all items in a given product line without reference to infringement of patents. The *Zenith* decision does not rely on *Mercoid* or on § 271(c) or (d). *Deep South*

dealt with exportation of unpatented machinery for use abroad where no United States patent protection existed. It relied on *Mercoid* only for the proposition that if there is no direct infringement, there can be no contributory infringement (406 U. S. at 526). *Blonder-Tongue* is the noted decision limiting the circumstances in which a patentee may subsequently attempt to enforce a patent once held invalid. A mere recitation of the subject matter of these decisions shows that the Court of Appeals correctly concluded that they were "in a context far afield" from this case and that its decision was not in conflict with any of them (A. 47-48).

Petitioners also erroneously argue (pp. 13-14) that the Circuit Court decision conflicts with the decisions of the lower courts in four other cases, *National Foam System, Inc. v. Urquhart,* 202 F. 2d 659 (3rd Cir. 1953), *Preformed Line Products Co. v. Fanner Mfg. Co.,* 328 F. 2d 265 (6th Cir. 1964), *McCullough Tool Company v. Well Surveys, Inc.,* 343 F. 2d 381 (10th Cir. 1965), and *Ansul Company v. Uniroyal, Inc.,* 306 F. Supp. 541 (S. D. N. Y. 1969), *aff'd* 448 F. 2d 872 (2d Cir. 1971).

These lower court citations relied on by petitioners are far removed from the issues involved here. The *McCullough* case involved a requirements contract which prevented any research by the licensee in the area of the license. Petitioners claim that the court made no distinction between staples and nonstaples, but the plain fact is that the court did not even discuss staples or nonstaples and § 271(d) is not mentioned. The other three cases also present entirely different facts from those existing here and there was no discussion whatsoever of the effect of § 271(d) on such activity. *National Foam System* was a declaratory judgment action which found certain patent license agreements improper because of discriminatory royalty rates. In *Ansul,* the court affirmed a decision reported at 306 F. Supp. 541 (S. D. N. Y. 1969), finding a patent unenforceable because of various violations of the Sherman Act including price fixing, discriminatory royalties, territorial restrictions and refusals to deal. There was no mention of 271(d) by the Circuit Court of Appeals, nor should there have been, and the product sold by the defendant was claimed in the patent in that suit. *Preformed Line Products* held there was a patent misuse because the patentee engaged in exclusive dealing contracts and required purchasers to buy other products in its line as a condition to purchase the patented product. None of these decisions conflicts with that of the Court below.[8]

Whether the patentee chooses to make money from sales of an unpatented, nonstaple article used in a patented

8. The lower court cases closest in point are completely consistent with the decision below. Shortly after the 1952 Patent Act came into force, the court in *Sola Electric Co. v. General Electric Co.,* 146 F. Supp. 625 (N. D. Ill. 1956), squarely faced the effect of § 271(d) on the *Mercoid* decisions (146 F. Supp. at 647-648):

> "Subparagraph (d) of Section 271 is the paragraph with which we are particularly concerned at this time. It certainly makes substantial changes in the law as announced in the Mercoid cases. * * * The court holds, accordingly, that the said Act of 1952 makes proper and lawful that which under the doctrine of the Mercoid cases above cited, would have been a misuse of the patent."

In *Rohm and Haas Company v. Roberts Chemicals Inc.,* 245 F. 2d 693, 699 (4th Cir. 1957), respondent was permitted to assert its method claims for the use of a fungicide which was an unpatented nonstaple article against a contributory infringer. The court recognized the history of the misuse doctrine prior to the 1952 statute, citing *Carbice, Leitch* and *Mercoid* but held that § 271 changed the applicable law and that the patentee was entitled to relief.

Some years later *Harte & Co., Inc. v. L. E. Carpenter & Co.,* 138 USPQ 578 (S. D. N. Y. 1963), reached a similar holding, mentioning several articles written since the 1952 Act which supported this conclusion. Indeed, contrary to petitioner's comments at p. 17, most of the cited articles favor the interpretation reached in the decision of the Court of Appeals herein.

process or from express licenses granted under the patent is a matter on which Section 271(d) makes no distinction. It provides that either course of conduct is exempt from the doctrine of patent misuse. Petitioners' efforts to create an apparent conflict between the decision below and other cases which are not in point offer no reason to grant certiorari.

CONCLUSION.

Since there is no conflict between the decision below and any decision of this Court or any other court and since the Circuit Court correctly construed the applicable statute, this Court should not grant certiorari.

Respectfully submitted,

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